JOURNAL
OF EUROPEAN ECONOMY
Vol. 15 (№ 3). September 2016
Publication of Ternopil National Economic University

International Economics

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EFFICIENCY OF THE NORTH AMERICAN FREE TRADE ZONE

Abstract

The creation, evolution and features of implementing the North American Free Trade Area are considered. The precondition of creating and subsequently operating the North American free trade zone became «Plan Abbott», the main purpose of which was to stimulate American investment in leading Canadian industries. Having signed an agreement on liberalization of trade, the automotive industries of the US and Canada negotiated and signed the US-Canada Free Trade Agreement.

The main provisions of the North American Free Trade Agreement, which concerned primarily the removal of all tariff and non-tariff barriers on produced and sold commodities in North America for fifteen years after the agreement came into force are characterized. Other main objectives of the FTA in North America are as follows: an increase in employment rates and improvements in working conditions and living standards; intellectual property rights; management

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of trade relations and disputes; performance of labour, environmental laws and regulations; cooperation in terms of regional and multilateral trade forums.

The performance of economic reforms in Mexico towards liberalization of protectionist trade and investment policies aimed at attracting foreign direct investment and economic growth stimulation are estimated. Measures in the field of removal the tariff and non-tariff instruments made by Mexico after it became a member of the General Agreement on Tariffs and Trade (GATT) are analyzed. The implemented measures of liberalization trade allowed Mexico to transform from one the most protectionist economies in the world to one of the most open.

The different opinions on the NAFTA creation and its impact on the economic development of member countries are considered. The supporters argued that the agreement would help to create thousands of jobs, reduce income inequality within region, and support the further deepening of economic relationships of the USA and Canada with Mexico. At the same time, opponents believe that a free trade zone in North America will lead to huge job losses and wage reductions in the USA. The effects of NAFTA on production, employment, trade and investment environment of the USA with member countries of the integration union are investigated.

Key words:

Integration processes, free trade zone, American-Canadian Free Trade Agreement, the North American Free Trade Agreement (NAFTA), trade liberalization, tariff and non-tariff instruments, partner countries, foreign direct investment (FDI), economic impact of NAFTA.

JEL: F15.

Introduction. The formation of regional integration alliances started more than half a century ago. Globalization has turned integration processes into global ones. This is due primarily to the fact that integration units are more competitive, as the gradual development of forms of international economic integration provides the most complete and most rational use of the economic potential of the member countries, and, thus, increasing the pace of development. At the

WTO Secretariat during 1948–1994 the world signed 123 regional trade agreements based on the formation of economic associations with a certain degree of harmonization of national policies, and from 1995 until today their number has reached more than 300. Concerning the number of international integration associations, their total number in the world has exceeded 85 (Śledziewska; Kurylyak, 2004). In the global model of the world economy, Free Trade Areas (FTA) are formed in accordance with the level of socio-economic development and priorities, according to the internal capacity of participating countries and prospects for their further development. Thus, the integration processes taking place in Europe and Asia have given rise to the formation of the concept of economic integration in North America, which during the negotiations between the participating countries led to the signing and implementation of the North American Agreement on Free Trade between the US, Canada, and Mexico. Many questions arise about the feasibility of a free trade zone in North America and the efficiency of its operations for partner countries.

Analysis of recent research. Conceptual framework study patterns of free trade areas in the world as a form of international economic integration have been given much attention in publications by V. Adam, Omar al-Beravi, Ruth F., V. Fomichev, O. Amosha, I. Burakovsky, O. Volovodovoyi, Yu. Makogon, N. Osadchy, O. Plotnikov, A. Rumyantsev, A. Filipenko, O. Shnyrkov, E. Saveliev, V. Kurylyak and other professionals in the field of international economic relations.

Evolution of creation of the North American Free Trade Agreement (NAFTA) and its impact on the macroeconomic environment and foreign trade of the USA, Canada and Mexico have studied such scientists as Jeffrey J. Schott Peterson, Robert E. Scott, M. Angeles Villarreal, Ian F. Fergusson**,** Gary Clyde Hufbauer, Morley Gunderson, Ross Perot, Pat Choate, Gordon H. Hanson, Robert Koopman, William Powers, Zhi Wang, Mary Jane Bolle, James K. Jackson, Lorenzo Caliendo, Fernando Parro and Kevin Lynch.

At the same time, insufficiently explored guidelines have been laid down in the agreement on free trade between the US, Canada and Mexico, and the effects of its operation for participating countries.

Problem setting. The main purpose of this paper is to study the characteristics of integration processes in North America, benchmarking the impact of the North American free trade zone on macroeconomic development and foreign trade in the US with partners before and after the second entry in the NAFTA integration association.

Main material. The process of creating a free trade in North America has been difficult and controversial. In 1911, US President William Howard Taft signed a reciprocal trade agreement with Canadian Prime Minister Wilfred Laurier. However, after Laurier failed at re-election, Canadians rejected the FTA with the US, which negatively affected the implementation of the agreement.

«Abbott Street» (1947) was the first step in the creation and subsequent operation of the North American Free Trade Zone, whose main purpose was to stimulate and attract US investments in leading industries of Canada. Later, in 1959, the United States and Canada signed an agreement on joint military production to facilitate the introduction of American standards in the Canadian production of military equipment. In 1965, the two countries signed an agreement on liberalization of trade in the automotive industry, which set forward the abolition of tariffs on cars, trucks, tires, accessories and buses. This in turn contributed to the integration of many sectors of both countries (Villarreal and Fergusson, 2015; Peterson, 2008). In September 1988, after lengthy negotiations, the US-Canada Free Trade Agreement (CUSFTA) was adopted by Canadian Parliament in December 1988 and entered into force on 1 January 1989. At that time, it was probably the most complete bilateral agreement on free trade in the world, the main purpose of which was the elimination of all tariffs. Since 1998, most tariffs have been eliminated immediately while others were done so gradually over 5–10 years (Rumyantsev, 2009).

As for Mexico, from the mid 1980s until 1990 the Mexican government took unilateral measures toward the liberalization of protectionist trade and investment policies. One of the main goals of the Mexican government was to increase the investment attractiveness for more foreign investment to stimulate economic growth. Mexico's first steps in liberalizing its closed economy focused on reforming the policy of import substitution. Further reforms were made in 1986, when Mexico became a member of the General Agreement on Tariffs and Trade (GATT). With accession to GATT, the Mexican government agreed to reduce the maximum tariff rate to 50%. Thus, the average tariff rate in Mexico fell from 25% in 1985 to around 19% in 1989. Since 1986, the Mexican government has reduced trade and investment restrictions, but remaining trade barriers for US exports remained high to negotiate the creation of NAFTA. The measures taken to liberalize trade have allowed Mexico to transform from one of the most protectionist economies in the world to one of the most open (Villarreal and Fergusson et al., 2015).

The commercial and political union of the United States, Canada and Mexico came into practice in 1990. Canada and Mexico are respectively the first and third largest trading partners of the United States. Agreement on the establishment of the North American Free Trade Association (NAFTA) was signed by US President George H. W. Bush on December 17, 1992 and then approved by the US Congress on November 20, 1993. The document implementing NAFTA was signed by President William J. Clinton on 8 December 1993, coming into force on 1 January 1994.

This free trade zone in North America was the first FTA involving two developed countries and one developing country. Political discussions about the agreement feature differences between supporters, who claimed that the agreement would create thousands of jobs while reducing income inequality in the re-

gion. Moreover, proponents of open and built-on trade rules supported further deepening of the economic relationship with Canada and Mexico, because they believed it would contribute to the promotion of common shared values of trade and economic growth. Experts in the field of trade policy and economists gave credibility to NAFTA and other free-trade agreements, as they, in their opinion, would help increase economic ties between involved countries, a more efficient production process to increase the availability of consumer goods at lower prices, and also to improve the living and working conditions.

For the United States, NAFTA not only provided an opportunity to diversify export markets growing to the south, but it was a political opportunity for both countries, the US and Mexico, to work together in resolving conflicts in bilateral relations. US companies functioning within this FTA could expand their exports to the Mexican market with its population of nearly 100 million. Additionally, the US government acknowledged that the rate of imports from Mexico could be higher than imports from Asian countries. And beyond just providing trade and investment opportunities, NAFTA could be a tool to support the growth of political pluralism and the deepening of democratic processes in Mexico.

Opponents, however, believed that a free trade zone in North America would lead to huge job losses in the US, because companies would move production to Mexico due to lower costs, which would lead to wage cuts in the US and nothing done to sufficiently improve labor standards and environmental conditions abroad (Scott, 2011; Center, 2009).

The key provisions of the Agreement on free trade in North America were as follows:

- to stimulate trade in goods and services and investment attraction through gradual removal of tariff and non-tariff instruments;
- compliance with the rules of origin;
- the protection of intellectual property;
- to increase employment and improve working conditions and living standards;
- management of trade relations and disputes;
- the procedure of public procurement;
- strengthening and enforcement of labor and environmental laws and regulations;
- cooperation in regional and multilateral trade forums.

NAFTA provided for opening markets through the gradual removal of tariff and non-tariff barriers on most goods that are produced and sold in North America. Some tariffs were eliminated immediately, while others were eliminated at

different periods between five to fifteen years. In the US, import-sensitive sectors – such as glass, shoes and ceramic tiles – have a longer period of abolition of tariffs.

NAFTA member countries had the opportunity to accelerate the reduction of tariffs. The agreement included a provision in which the importing country would raise tariffs or impose quotas on imports, in some cases during the transitional period when domestic producers face serious losses as a result of increased imports from partner countries of NAFTA (Komar, 2015, pp. 68–79; Komar, 2016, pp. 110–117).

During the implementation of NAFTA, the FTA between the US and Canada has resulted in the abolition of US tariffs and quotas on imports from Mexico and Mexico respectively, and the abolition of trade barriers on imports from the United States and Canada. When NAFTA came into effect, about 40% of US imports from Mexico were introduced duty-free rates, and the rest retained duty to 35%, the average import customs duties on agricultural products in Mexico were about 7%, and in the US 11%. Also, NAFTA opened the market to increase imports to Mexico from the United States and Canada, creating one of the largest common markets in the world (Caliendo and Parro, 2012; The U. S. International Trade Commission's Interactive Tariff and Trade Data Web).

The abolition of trade barriers took place in the textile, apparel, automotive, and agricultural industries. Under the agreement, 65% of imports of textile and clothing products to the US from Mexico were exempt from duties and quotas, only 35% of imports was set at the average tariff rate of 17.9%. At the same time, the average tariff rate in Mexico on imports of textile and clothing products from the United States was 16%, although some products had customs duties amounting to 20%.

As for the automotive industry, the Mexican government under NAFTA vetoed a decree to limit the abolition of import tariffs on US automotive products from Mexico. The Government of Mexico also cut import tariffs on automobiles with the United States and Canada as long as the rules met the requirements of the origin of 62.5% for cars, light trucks, engines and transmissions, and 60% for other vehicles and automobile parts. Some tariffs were eliminated immediately, while others were canceled for five to ten years. The US set the following prices for imports from Mexico: 2.5% for cars, and 25% for light trucks, as well as average import rate of 3.1% for automotive components. Mexican import tariffs on automobiles with the United States and Canada were as follows: 20% for cars and light trucks and 10% to 20% for car components (The US International Trade Commission's Interactive Tariff and Trade Data Web et al.; The Bureau of Economic Analysis online database).

Within NAFTA had been prescribed some bilateral commitments on cross-border trade in agriculture, between Canada and Mexico and between Mexico and the United States. As for the US-Mexican agricultural trade, NAFTA eliminated

most non-tariff barriers. Tariffs were gradually eliminated over fifteen years on sensitive products such as sugar and corn that had very long periods of gradual failure.

Most tariffs on average in the area of agricultural trade between the US and Mexico were relatively low, although some exports from the US to Mexico collided with a customs rate of 12%. About one-quarter of agricultural exports from the US to Mexico (in value terms) were subject to restrictive import licensing requirements. However, when the agreement came into force about half of agricultural trade between the US and Mexico became duty free.

NAFTA also contains basic rules and commitments on trade in services between partner countries. The agreement has provided service providers on non-discriminatory certain rights regime, border trade and movement of people, and investments and access to information. However, each partner country has certain exceptions and reservations, particularly on US shipping, Canadian film and publishing, and Mexican oil and gas wells.

In addition to measures to opening markets through the elimination of tariff and non-tariff barriers, NAFTA member countries have included other numerous provisions concerning foreign investment, intellectual property rights, and dispute resolution and public procurement. In addition, NAFTA removed significant barriers to investments, offered basic protection for investors, and implemented a mechanism for resolving disputes between investors and participating countries. The agreement included a clear commitment to the liberalization of specific countries and exceptions to national treatment. The exemption from the provisions of NAFTA in the field of foreign investments related to the energy sector in Mexico, where the Mexican government retained the right to prohibit foreign investment. Also were exceptions concerning national security and the Canadian culture.

NAFTA was established on the basis of lengthy negotiations, the Uruguay Round, and various existing international agreements on intellectual property. The agreement, among other provisions, set out specific obligations for member countries of NAFTA to protect copyrights, patents, trademarks and trade secrets.

NAFTA provisions on preventing and settling disputes were constructed on the basis of provisions contained in the agreement on free trade between the United States and Canada. NAFTA member countries created a system of arbitration for dispute resolution, which included initial consultation, and the acceptance of the commission on the sale of oil or passage through the arbitration commission. NAFTA also includes provisions to resolve disputes about the definition of anti-dumping and countervailing duties.

Each country participating in NAFTA undertook responsibility for federal- government purchases of goods and services without discriminating against suppliers from other countries, since there were limitations to procurement companies owned by the state (The U. S. International Trade Commission’s Interactive Tariff and Trade Data Web et al.; U. S. International Trade Commission (USITC), 2003).

Evaluating the economic impact of trade agreements is a difficult task. Numerous studies show that NAFTA has made a positive contribution to growth in production and employment in North America over the past fifteen years. We can firmly say that a free trade area in this region, as well as any similar regional trade agreement, gives impetus to national growth. Over the period from 1993 to 2012, the economy of North America has more than doubled, with the GDP incresed from 8 trillion in 1993 to 19 trillion in 2012. Under NAFTA, the US and Canada showed growth of average rates respectively of 3.0% and 3.1%.

At the same time, real GDP growth in Mexico averaged only 2.9% per year from 1994, well below its potential and significantly lower to withstand significant economic and social problems of Mexican society. Problems emerged in Mexico through a deep recession which the country experienced soon after NAFTA took effect. However, Mexico's open access to the US market had a positive impact on its relatively rapid recovery. The slow democratic process in Mexico has had limited opportunity to take full advantage of NAFTA, and the Mexican industry compared with foreign firms, especially Chinese ones, was uncompetitive.

Since NAFTA was first enforced, employment in all three countries has increased, employment in the US increased from 120 million in 1993 to 145 million in 2012, in Canada from 12.8 million to 17.2 million, and in Mexico from 31.3 million to 43.8 million.

NAFTA has also contributed significantly to the growth of trade between the US, Canada, and Mexico. In 1993, sales in North America amounted to about $290 billion, and by 2012 this figure rose to more than $1.1 trillion, an increase of almost four times (The U. S. International Trade Commission's Interactive Tariff and Trade Data Web et al.; The Bureau of Economic Analysis online database et al.).

US trade partners within NAFTA have more than tripled once the agreement came into force. Since 1993, the total US trade with Mexico has increased more rapidly than total trade with Canada and NAFTA countries who are not partners.

In 2014, Canada was the leading market for exports from the US, while Mexico ranked second. In 2014, these two countries accounted for 34% of total US exports. At the same time imports occupied Canada and Mexico respectively second and third in the US: 27% of US imports was between the two countries.

In the first decade (1989–1999) US trade with Canada more than doubled from $166.5 billion to $362.2 billion. US exports to Canada increased from $100.2 billion in 1993 to $312.13 billion in 2014, an increase of 211%. US imports from Canada also increased from $110.9 billion in 1993 to $346.1 billion in 2014, an increase of 212% (Table 1).

After its fall during the recession in 2001, the total US trade with Canada reached a new high $596.5 billion in 2008, but in 2009 during the financial crisis, this figure dropped to $429.6 billion. In 2011, total trade between the US and

Canada returned to the 2008 level. US had a trade deficit with Canada from the time of FTA / NAFTA, which increased from $9.9 billion in 1989 to $74.7 billion in 2008. In 2014, the US trade deficit with Canada totaled $33.94 billion (Table 1). The increase in the US trade deficit with Canada was uneven and due to other economic factors such as energy prices (The US International Trade Commission's Interactive Tariff and Trade Data Web et al.; The Bureau of Economic Analysis online database et. al.; US International Trade Commission (USITC), 2003 et al.).

The United States definitely is the leading partner for Mexico in goods trading. US exports to Mexico have increased rapidly since the beginning of NAFTA from $41.6 billion in 1993 to $240.3 billion dollars in 2014, an increase of 478%. Simulateously, US imports from Mexico increased from $39.9 billion in 1993 to $294.2 billion in 2014, an increase of 637%. US trade balance with Mexico has changed from a surplus of $1.7 billion in 1993 to $74.3 billion deficit in 2007. The US trade deficit with Mexico then fell to $53.8 billion in 2014 (Table 1).

In the area of services trade between the United States and Canada in 2013 there was a surplus of $32.8 billion. Exports of US private services to Canada grew from $17.0 billion in 1993 to $63.3 billion in 2013. Concordantly, imports of US private services in Canada increased from $9.1 in 1993 to $30.5 billion in 2013.

In 2013, the United States also had surplus in trade in services with Mexico amounting to $12.1 billion. As for private services, exports to the United States from Mexico increased from $10.4 billion in 1993 to $29.9 billion in 2013. US imports of private services from Mexico also increased from $7.4 billion in 1993 to $17.8 billion in 2013 (Table 2) (The US International Trade Commission's Interactive Tariff and Trade Data Web et. al.; The Bureau of Economic Analysis online database et al.; US International Trade Commission (USITC), et al., 2003).

Oil is a central component of trade between the United States, Canada and Mexico, since about 16% of total trade between the partner countries of NAFTA involves oil. In 2014, US crude oil imports from Canada and Mexico was 46% ($110 billion) of total oil imports ($241.8 billion). Canada is a leading supplier of crude oil to the US, along with Saudi Arabia and Mexico. In 2014 the five major products for US exports to NAFTA partner countries were vehicles, parts for cars, oil and gas, and oil and coal products (Table 3) (The US International Trade Commission's Interactive Tariff and Trade Data Web, et al.; Lynch, 2012).

As for capital movements, during the 1990s the total foreign direct investments (FDI) in all NAFTA countries grew rapidly. At present, FDI in Mexico is approximately six times higher than in 1992. FDI from the United States take a significant stake in Mexico and Canada. FDI from the US to Canada and Mexico during the 1993–2013 increased respectively from $70 billion to $368.3 billion USD and $15.2 billion to $101.5 billion USD.

Table 1

Trade in Goods between the United States and Partner Countries of NAFTA (bln. of USD)

Year	US Export to Canada	US Import to Canada	Foreign trade balance in goods	US Export to Mexico	US imports from Mexico	Foreign trade balance in goods	US Export to NAFTA partner countries	US imports from NAFTA partner countries	Foreign trade balance in goods
1993	100.2	110.9	–10.7	41.6	39.9	1.7	141.8	150.8	–9.0
1994	114.3	128.9	–14.6	50.8	49.5	1.3	165.1	178.4	–13.3
1995	126.0	145.1	–19.1	46.3	61.7	–15.4	172.3	206.8	–34.5
1996	132.6	156.5	–23.9	56.8	73.0	–16.2	189.4	229.5	–40.1
1997	150.1	168.1	–18	71.4	85.9	–14.5	221.5	254.0	–32.5
1998	154.2	174.8	–20.6	79.0	94.7	–15.7	233.2	269.5	–36.3
1999	163.9	198.3	–34.4	87.0	109.7	–22.7	250.9	308.0	–57.1
2000	176.4	229.2	–52.8	111.7	135.9	–24.2	288.1	365.1	–77.0
2001	163.7	217.0	–53.3	101.5	131.4	–29.9	265.2	348.4	–83.2
2002	160.8	210.6	–49.8	97.5	134.7	–37.2	258.3	345.3	–87.0
2003	169.5	224.2	–54.7	97.5	138.1	–40.6	267.0	362.3	–95.3
2004	187.7	255.9	–68.2	110.8	155.8	–45	298.5	411.7	–113.2
2005	211.4	287.9	–76.5	120.0	170.2	–50.2	331.4	458.1	–126.7
2006	230.3	303.4	–73.1	134.2	198.3	–64.1	364.5	501.7	–137.2
2007	248.4	313.1	–64.7	136.5	210.8	–74.3	384.9	523.9	–139.0
2008	260.9	335.6	–74.7	151.5	215.9	–64.4	412.4	551.5	–139.1
2009	204.7	224.9	–20.2	129.0	176.5	–47.5	333.7	401.4	–67.7
2010	248.2	276.5	–28.3	164.3	229.7	–65.4	412.5	506.2	–93.7
2011	280.8	316.5	–35.7	197.5	263.1	–65.6	478.3	579.6	–101.3
2012	291.8	324.2	–32.4	216.3	277.7	–61.4	508.1	601.9	–93.8
2013	300.2	332.1	–31.9	226.2	280.5	–54.3	526.4	612.5	–86.1
2014	312.13	346.1	–33.94	240.3	294.2	–53.8	552.5	640.2	–87.8

Source: Villarreal and Fergusson, 2015 et al., The U. S. International Trade Commission's Interactive Tariff and Trade Data Web, et al.

Table 2

Private Trade in Services between the US and NAFTA Partner Countries (in bln. of USD)

Years	US export to Canada	US import from Canada	Foreign trade balance of services	US export to Mexico	US import from Mexico	Foreign trade balance of services	US export to NAFTA partner countries	US export from NAFTA partner-countries	Foreign trade balance of services
1993	17.0	9.1	7.9	10.4	7.4	3.0	27.4	16.5	10.9
1994	17.2	9.9	7.3	11.3	7.9	3.4	28.5	17.8	10.7
1995	17.9	11.0	6.9	8.7	7.9	0.8	26.6	18.9	7.7
1996	19.5	12.4	7.1	9.4	8.9	0.5	28.9	21.3	7.6
1997	20.5	13.7	6.8	10.8	9.9	0.9	31.3	23.6	7.7
1998	19.4	15.0	4.4	11.7	9.8	1.9	31.1	24.8	6.3
1999	22.9	16.6	6.3	14.2	9.7	4.5	37.1	26.3	10.8
2000	24.8	18.2	6.6	15.8	11.2	4.6	40.6	29.4	11.2
2001	24.7	17.8	6.9	16.7	10.9	5.8	41.4	28.7	12.7
2002	25.2	18.4	6.8	17.9	12.3	5.6	43.1	30.7	12.4
2003	27.6	20.0	7.6	18.5	12.5	6.0	46.1	32.5	13.6
2004	29.5	21.2	8.3	19.5	13.9	5.6	49.0	35.1	13.9
2005	32.8	22.6	10.2	22.5	14.4	8.1	55.3	37.0	18.3
2006	37.9	23.9	14.0	23.8	14.9	8.9	61.7	38.8	22.9
2007	42.7	25.7	17.0	25.0	15.3	9.7	67.7	41.0	26.7
2008	45.4	26.0	19.4	26.2	15.9	10.3	71.6	41.9	29.7
2009	43.5	23.7	19.8	22.9	14.0	8.9	66.4	37.7	28.7
2010	53.1	27.4	25.7	24.6	14.0	10.6	77.7	41.4	36.3
2011	58.3	30.5	27.8	26.4	14.7	11.7	84.7	45.2	39.5
2012	61.5	30.8	30.7	28.2	15.5	12.7	89.7	46.3	43.4
2013	63.3	30.5	32.8	29.9	17.8	12.1	93.2	48.3	44.9

Source: The U. S. International Trade Commission's Interactive Tariff and Trade Data Web, et. al.

Table 3

Trade between the US and NAFTA Partner Countries in the Main Food Category (in bln. of USD for 2014)

NAFTA partner-countries	US export		US import	
	Main articles	Amount	Main articles	Amount
Canada	Vehicles	26.9	Oil and gas	96.1
	Cars spare parts	26.0	Vehicles	44.2
	Oil and gas	16.8	Oil and coal products	15.8
	Oil and coal products	15.1	Cars spare parts	14.6
	Agricultural and construction equipment	11.2	Non-ferrous metals and products of processing	10.5
	Others	216.1	Others	164.9
	Total US export to Canada	312.1	Total US import from Canada	346.1
Mexico	Cars spare parts	21.5	Cars	46.4
	Oil and coal products	19.1	Cars spare parts	40.1
	Computer equipment	16.0	Oil and gas	27.8
	Semiconductors and other electronic components	13.5	Computer equipment	14.3
	Main chemicals	10.1	Audio and video equipment	14.2
	Others	160.1	Others	151.4
	Total US export to Canada	240.3	Total US import from Canada	294.2

Source: Villarreal and Fergusson, 2015 et al.; The U. S. International Trade Commission's Interactive Tariff and Trade Data Web, et al.

FDI in the United States under NAFTA remained insignificant. In 2013 the FDI from Canada and Mexico to the United States amounted to $237.9 billion USD and $17.6 billion USD. Overall, less than 10% of FDI in the US accounts for Canada and Mexico, at the same time as more than 60% of FDI in the United States, while the EU only 15 (Table 4) (Villarreal and Fergusson et al., 2015; Peterson et al., 2008).

Table 4

Foreign Direct Investment between the US, Canada and Mexico (in billions of USD)

Years	DI from Canada to the USA	DI from the USA to Canada	DI from Mexico to the USA	DI from the USA to Mexico
1993	40,373	69,922	1,244	15,221
1994	41,219	74,221	2,069	16,968
1995	45,618	83,498	1,850	16,873
1996	54,836	89,592	1,641	19,351
1997	65,175	96,626	3,100	24,050
1998	72,696	98,200	2,055	26,657
1999	90,559	119,590	1,999	37,151
2000	114,309	132,472	7,462	39,352
2001	92,420	152,601	6,645	52,544
2002	92,529	166,473	7,829	56,303
2003	95,707	187,953	9,022	56,851
2004	125,276	214,93 1	7,592	63,384
2005	165,667	231,836	3,595	73,687
2006	165,281	205,134	5,310	82,965
2007	201,924	250,642	8,478	91,046
2008	168,746	246,483	8,420	87,443
2009	188,943	274,807	11,111	84,047
2010	192,463	295,206	10,970	85,751
2011	205,225	330,041	12,500	85,599
2012	217,800	346,080	14,458	98,377
2013	237,921	368,297	17,610	101,454

Source: Villarreal and Fergusson et.al., 2015; The U. S. International Trade Commission's Interactive Tariff and Trade Data Web, et.al.

NAFTA did not cause a huge loss of jobs as opponents feared it would. The overall net effect of NAFTA on the US economy was relatively small, primarily because the total trade with Mexico and Canada was less than 5% of US GDP at the time when NAFTA came into force. Most economic effects occurred as a result of trade liberalization between the US and Mexico. It is also important to consider the fact that the volume of bilateral trade with Mexico was an even smaller percentage of GDP (1.4%) in 1994. Therefore, any changes in the structure of commerce did not give significant expectations with respect to the overall US economy. Moreover, most experts argue that the US trade with Mexico and Canada has increased, and the creation of NAFTA, and probably the figure

would continue to grow without agreement. However, this has led to more open trade and investment among member countries of the integration association.

Conclusions. Despite different views on the creation of NAFTA and its effects for partner countries in general, agreement with the North American Free Trade showed improved trade relations and accelerated economic integration in the region. Also, NAFTA gave impetus to the creation within the United States, Mexico, and Canada numerous free trade agreements that provided other partners such benefits that have been received by Canada and Mexico in the US market under the North American Free Trade Area. Those criticizing the creation of NAFTA claimed that the agreement on free trade in North America has led to outsourcing and lower wages, which had a negative impact on the US economy, which ultimately caused the dislocation of jobs to Mexico, especially in agriculture.

The overall economic effect of the creation of NAFTA for the Member States is difficult to measure, because trade and investment trends affect many other economic variables such as economic growth, inflation, currency fluctuations, and others. NAFTA has influenced other free trade agreements that have been signed by the United States as well as multilateral negotiations. Currently the US has free trade agreements with twenty countries. Like NAFTA, the trade agreements often have been criticized or supported for similar arguments relating to the loss of jobs.

NAFTA partner countries face a range of tasks that they failed to do, namely to strengthen the role of institutions to protect the environment and workers' rights; consideration to create a plan for border infrastructure; increased cooperation in regulation; promoting research and development to enhance the global competitiveness of the industry in North America; greater investment in the establishment of border infrastructure to efficiently crossing the border; and creating more efforts to reduce the differences in income within the region.

Experts in NAFTA partner countries need to create a customs union in North America, like the European Union with a common external tariff for trade facilitation and deepening of North American integration, to develop a common approach on immigration and to promote convergence in the regulation.

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The article was received on August 4, 2016.